



Should You Invest in BlackBerry Ltd. and its Growing Partnership With Samsung?

Description

Under the leadership of John Chen, **BlackBerry Ltd.** ([TSX:BB](#))(NASDAQ:BBRY) has begun a steady march from hardware specialist to offering its software through products of other companies. However, BlackBerry remains committed to selling 10 million devices per year to regain a portion of its once mighty market share. In the past few months, BlackBerry has already released the Passport, Classic, and Leap smartphones, and now is re-entering the tablet market with its newest device the SecuTABLET.

When investors hear the words BlackBerry and tablet together, they immediately conjure up memories of the unsuccessful Playbook and fear a similar financial failure. In this case, however, this new tablet is actually a “secure” and rebranded version of the **Samsung** Galaxy Tab S 10.5. The tablet, like much of BlackBerry’s recent products, will be marketed to government and business clients looking for more secure devices for work that are also compatible with popular apps for personal use.

The question being faced by investors is whether or not this new tablet will be a financial success, and if it is, will it lead to more product integration with Samsung?

The Playbook 2.0

The new SecuTABLET is the latest product to emerge from Secusmart, a specialist in encryption that BlackBerry acquired late last year. Since BlackBerry was forced out of the consumer market by **Apple Inc.** and Samsung, it has been forced to rely even more heavily on its marketing to government and business clients. This tablet is no exception and the proof is in the \$2,380 price tag, which could be justifiable to clients if the product can live up to expectations. The device is currently awaiting certification to be approved for use by the German government, which could be one of the first to employ the device in the field.

This tablet differs as it allows sensitive data to be isolated from apps such as YouTube without worry of malware. This is accomplished with the help of technology acquired through a partnership with **IBM**.

Apples and oranges

When the announcement of the partnership between Samsung and BlackBerry was first released, it sparked a flurry of merger rumours and boosted the stock's prices. It is possible that these rumours may never materialize, yet the partnership gives both companies an avenue to push Apple products out of the hands of professionals and government officials; especially at a time when Apple is facing the P.R. nightmare concerning allegations of spying being perpetrated on its devices.

BlackBerry is hoping that its recent wave of devices and its growing expansions of software partnership agreements will help the company recover a portion of its once mighty revenue stream. On the software front, BlackBerry has already launched a cloud version of its mobile security suite and is continuing its integration in Samsung products with its BlackBerry Enterprise Service 12 security software.

A secure investment?

John Chen's long-term plan for BlackBerry is to match or exceed the revenues it currently generates from hardware with software. This strategy is alleviating some over-arching concerns from potential investors small and large. Recently, Canso Investment Counsel Ltd. converted \$300 million of a debt offering into shares, bringing its holdings to 5.4%, which makes it the third-largest shareholder of BlackBerry.

While one firm is loading up on stock, another is downplaying the possibilities of the stock, namely Goldman Sachs, which painted a sour picture for BlackBerry in its most recent report. The analysts at Goldman Sachs cut their price target to \$9.00 and are projecting rising losses between now and 2017. They also believe that BlackBerry's projections of \$500 million in software revenues will fall short by \$74 million by 2016.

Investors are hoping that a clearer picture will emerge on March 27 when BlackBerry releases its fourth-quarter results. The fourth-quarter results also come at a time when the stock is trading well above its current price targets.

CATEGORY

1. Investing
2. Tech Stocks

TICKERS GLOBAL

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